

Message Text

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46

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 AID-20 CIAE-00 COME-00 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 AGR-20 NSC-07 SS-20

STR-08 CEA-02 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01

ABF-01 FS-01 DRC-01 /180 W
----- 118577

R 251320Z JUL 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 2900

INFO AMEMBASSY DACCA

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 9914

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: DEMONETIZATION DENIED

REF: NEW DELHI 9855

1. FOR MONTHS, THERE HAVE BEEN RUMORS THAT THE GOVERNMENT WOULD DEAL WITH THE BLACK MONEY PROBLEM BY DEMONETIZING HIGH DENOMINATION BANK NOTES, I.E., RS. 100 AND RS. 1,000 BANK NOTES, AND ISSUING A NEW SERIES. IT IS HIGHLY LIKELY THAT THIS COURSE WAS SERIOUSLY CONSIDERED. APPARENTLY, IT HAS BEEN ABANDONED. AT LEAST, FINANCE MINISTER CHAVAN DENIED THAT IT WOULD BE DONE IN A PARLIAMENTARY INTERVENTION YESTERDAY.

2. HE ALSO REJECTED A SCHEME ADVANCED BY SOME INDIAN ECONOMISTS TO CUT THE MONEY SUPPLY DRASTICALLY BY REDUCING THE

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VALUE OF 100 RUPEE NOTES BY 30 PERCENT AND BY REDUCING

BANK ACCOUNTS BY A SIMILAR AMOUNT FROM THEIR ACTUAL LEVEL. HE SAID THAT IT WOULD NOT BE DESIRABLE TO UNDERMINE THE FAITH OF PEOPLE IN THE BANKING SYSTEM.

3. COMMENTS: DEMONETIZATIONS, LIKE DEVALUATIONS, MUST BE CARRIED OUT FAST AND WITH SURPRISE. OTHERWISE ANTICIPATION OF THEM COMPOUNDS THE PROBLEM, IN THIS CASE, INFLATION AND SPECULATION. IF CHAVAN IS BELIEVED, THIS ANNOUNCEMENT MAY SLOW THE FLIGHT FROM MONEY AND ALLEVIATE INFLATIONARY PRESSURES A LITTLE, BUT THE RUMORS OF DEMONETIZATION HAVE PROBABLY ALREADY DONE A LOT OF DAMAGE.
KREISBERG

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ANTIINFLATIONARY PROGRAMS, BANK RATES, COMMERCIAL BANKS, MONEY SUPPLY, FINANCIAL PROGRAMS
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Copy: SINGLE
Draft Date: 25 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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US Department of State
EO Systematic Review
30 JUN 2005

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Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DEMONETIZATION DENIED
TAGS: EFIN, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005